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PROJECT PRIME AND THE MIDDLE MANAGER
IN THE UNITED STATES MARINE
CORPS

by
Donald Joseph McCarthy

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PROJECT PRIME AND THE MIDDLE MANAGER
IN THE UNITED STATES MARINE CORPS

BY

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CHAPTER I

INTRODUCTION

Research Stipulations

The intent of the writer in completing this paper is to present an analysis of the efforts of Middle Managers in the Marine Corps relative, to the implementation of Project PRIME. The subject area was chosen, among other reasons, because of the critical nature of the appraisals made by top management regarding the performance of these middle managers.¹ The initial research efforts brought to light three limitations with which the writer had to cope for the balance of this endeavor.

1. Although the general area of Project PRIME admits of voluminous reference material, there is an apparent lack of publications directly relating to the middle management area in the system.

2. The political implications surrounding the installation and implementation of Project PRIME (including a review now in process), resulted in a marked hesitancy on the part of the middle managers interviewed to be directly quoted

¹That this opinion is in fact held by top management will be documented subsequently.

even though they were, in the vast majority, unhesitating in expressing their views on the subject.¹

3. There exists among Marine Corps managers of all levels a difference of opinion regarding the definition of several of the basic terms involved, including applicable portions of Project PRIME itself. The opinions held are not a result of semantics, but involve interpretations which are diametrically opposed on essential attributes of the management system entitled Project PRIME.

These limitations make it necessary for the writer to depend heavily on diverse references for the substantiation of many of the conclusions drawn herein. As a result, source documents and personal quotations are often listed from such varying sources, as the Constitution of the United States and a junior officer in the Marine Corps in order to document a single assertion.

A similar anomaly appears regarding the portions of this paper which deal with the development of the various management systems which have evolved regarding the collection and disbursement of funds by the United States Government. It is often necessary to discuss the implications of systems and recommendations which were inaugurated half a century ago in the same passage with committee meetings which were held during this year.

¹The documentation which follows reflects this fact. Every attempt has been made to vary the sources of information in order to substantiate the conclusions drawn herein.

Subject and Approach

The managerial techniques instituted in the Department of Defense during the past ten years have been the subject of many critiques, analyses, and explanations. The authors have addressed every major adjunct of the managerial innovations which have taken place during the 1960's. Their subject matter gave evidence of a patent concern with the general or conceptual aspects of these management techniques, to the virtual exclusion of the practical, detailed application of the mechanics involved in these management systems.

Publications concerning these mundane matters are for the most part limited to the departmental directives and orders written concerning specifics attendant to the implementation of the concepts involved. As a result, the vast preponderance of reference materials available concern themselves with policies and procedures directly related to the upper echelons of the managerial hierarchy. An extensive treatment of this level of management is totally justified for the changes wrought by them have been monumental.

Top managers have developed a framework around which the entire management effort in the military has been built. In a comparably short period of time military officers and Defense Department personnel in senior managerial billets have integrated their efforts into a homogeneous thrust toward more effective management of the military complex. They have been responsible for supervising the establishment of a complicated, intricate

and coordinated series of programs, under which the Department of Defense has made notable advancement in the creation of a form of scientific management apropos of the military establishment. The planners have completed their assignment. The spotlight is shifted herein to the "doers,"--the Middle Managers. The efforts of the middle managers in the implementation of these systems are presently being scrutinized by top management.

This paper will investigate the efforts of a small portion of these middle managers, specifically those in the United States Marine Corps. The validity of an effort of this nature arises from the personal experience of the writer as a former middle manager, and is further strengthened by information gathered in the initial stages of research in the general area of management in the Marine Corps.

In 1964 the Commandant of the Marine Corps stated that:

The managers in the field are generally not prepared to make use of the management tools provided them by this new (management) system. There is ample evidence that a concentrated effort must be made by our middle management at self education in this regard.¹

Four years later the succeeding Commandant said:

We believe that our senior commanders are well up on the learning curve, but there is an urgent need to educate middle management. Specifically, we must improve on their use of the managerial tools afforded by Project PRIME systems.²

¹General Wallace M. Greene, Address to the students of Staff and Command College, Quantico, Virginia, April 17, 1964.

²General Leonard F. Chapman, Jr., Briefing at Pentagon, Washington, D. C., October 28, 1968.

Mr. James Wright, Fiscal Director for the United States Marine Corps, expressed his concern in this way:

We have an ample supply of talent among the Chiefs, but our Indians in the field are neither motivated nor educated to a degree that will enable the system to reach its full potential.¹

These mandates for improvement were general in nature and did not include the specific areas in which improved performance was mandatory. They were also void of any definitive efforts through which middle management could bring itself abreast of these efforts, at improved management in the Marine Corps.

In executing this endeavor the writer will present a comparably thorough treatment of the evolution and content of the basic concepts involved in the implementation of Project PRIME managerial systems. The logic of this approach was enhanced by the results of research performed by the writer in the general area of middle management in the Marine Corps.

Middle management must recognize the part it plays in the overall system if these managers are to be properly motivated. They are or will become directly, if only to a limited degree, involved in these decisions; and to be as effective as possible they must have the proper perspective concerning the role they play in the overall process. Consequently, the writer will thoroughly discuss the evolution of the systems involved and relate them to the general interpretations discovered during the research effort.

¹Mr. James Wright, Fiscal Director of the United States Marine Corps, in an Address to the Students of the Navy Post-graduate Financial Management Course, The George Washington University, Washington, D. C., March 11, 1969.

The approach employed in presenting the subject matter will follow these general guidelines. First, the writer will present a brief outline of the early historical developments regarding management in military establishments. This effort will be made in order to establish a logical beginning point for the subject to be treated herein.

Second, the basis for the present managerial system will be presented. This portion of the paper will concern itself with the more recent developments in American governmental and military bodies intending a more effective use and control of money spent by the Federal Government. The purpose of this passage will be to relate the innovations and recommendations made during the past forty years and how they relate to the management systems presently being utilized in the Department of Defense.

Third, the installation and development of the Resources Management Systems under Secretary of Defense Robert S. McNamara will be discussed. It is with a particular phase of these systems that the paper is concerned. It is intended that this chapter describe the overall concept of the Resources Management Systems in an attempt to establish the proper perspective for the subsequent presentation concerning Project PRIME. The impact of these concepts on the middle manager will be discussed when apropos.

Fourth, Project PRIME will be discussed as it exists in the Marine Corps today. This treatment will be primarily restricted to those matters which most concern the middle manager;

however, a relationship will be established whenever possible between the efforts of the middle manager and the total system.

Conclusions and recommendations will terminate this investigation of Project PRIME and the middle manager in the Marine Corps.

A synthesis regarding the performance of individual managers will be included in the chapter entitled Conclusions and Recommendations. However, when possible, as the basic concepts of this management system are discussed, reference will be made concerning the manner in which they relate to middle managers. These comments will, of necessity, include periodic referrals to the fact that the subject matter is viewed from a vastly different perspective by the adherents to the several interpretations of the proper definition of Project PRIME.

Excepting the definitions which are included in the paragraph entitled "Research Question," technical jargon will be defined as it appears in the paper.

The writer will not specifically refer to the position that the Marine Comptroller plays in the execution of Project PRIME. This is the result of several considerations. The first is that the basic definition of manager in the Marine Corps connotes the idea of command. Comptroller connotes a position of staff responsibility. It is noted, however, that the performance of these individuals is essentially interconnected in the practical application of any management system. As a result, the results achieved will jointly reflect the efforts of both the Commander

and the Comptroller as his chief advisor. Secondly, the writer would have to specifically deal with various commands when discussing their performance and make judgments in light of the fact that they did or did not have the services of a comptroller-- not all commands rate or have such an officer assigned. It should be noted at the outset, however, that no one is more professionally involved with Project PRIME than the officer assigned a billet as Comptroller. The following chapters are written in light of this fact and dictate that the subject matter in a paper of this duration must in many regards be limited in order to be adequately covered.

Research Question

As mentioned in previous paragraphs the performance of the Middle Manager in the Marine Corps in the implementation of Project PRIME has been the subject of notable discussion and comment by top managers in the Department of Defense. This paper is an effort to investigate the performance of these managers as it relates to the subject management systems in specific areas. In this effort it will attempt to answer the following question. "What is expected of the middle manager under the management system known as Project PRIME?" Closely allied to this question, and essentially tied to it are the following considerations. "Has the middle manager achieved what is expected of him?" If he has not, are there reasons attendant to this failure?" And, "How can the performance of the middle manager best achieve its full potential?"

The obvious starting point in insuring that proper distinctions are made is a consideration of the terms which comprise the title of this research effort--"Project PRIME" and "Middle Manager." The fact that the existing versions of Project PRIME cannot properly be attributed a definition acceptable to all concerned creates an aspect of this paper which begets academic inconsistency. The essential theme of the paper relates the efforts of the middle manager in the Marine Corps in light of the author's interpretation of Project PRIME. This definition varies from that held by those occupying positions as top managers who pass judgment on their efforts. The importance of these distinctions gives rise to detailed descriptions and therefore the chapter entitled "Introduction" is atypical in length.

The definitions which are termed essential are the following:

Project PRIME: This term describes the management system designed by Dr. R. N. Anthony while acting as Assistant Secretary of Defense (Comptroller). The acronym PRIME is derived from PRIority Management Effort.

The dictates of this system will be discussed at length in chapters to follow, but it is necessary to recognize here, the dual aspect of this original version of Project PRIME. Dr. Anthony intended that this system provide management information for decisions made by top management. This information was to be of specific content collected and presented in prescribed format.

The other side of this coin had to do with its use by managers at all levels. As will be discussed, he repeatedly referred to his intention to make the system applicable as a management tool by all managers under the direction of the Department of Defense.

Project PRIME Revised: The system to which this term relates is that which resulted from the revisions made prior to and during the test periods which were conducted by the various services. The essential revision of this system was that which excluded the application of the system to those organizations directly related to combat and generally referred to in the Marine Corps as Fleet Marine Force Organizations. Its significance is as large as the fact that these units employ over one half of the resources consumed by the Marine Corps.

PRIME '69: This version of the original system was still a further diluting of the original concept. The major distinction is that it incorporated a more definitive or purified version of the accounting involved.

PRIME '70: The exact version of this system is conjecture since it is still undergoing review. There are indications it will follow the trend established in the preceding revisions, and that these might be the most drastic to date.

Middle Manager: Compounding the confusion the writer encountered in research was the definition of the second of the terms included in the title of this paper. Consequently, it is necessary to make similar distinctions in defining this term. These distinctions are related to the various versions of Project

PRIME listed above.

Middle Manager--Project PRIME: Officers assigned billets as middle managers are, with the exceptions to be noted, holders of the grades of major, lieutenant colonel, or colonel.¹ There is a relationship between rank and position on the military managerial ladder.²

The second factor which must be considered in identifying middle managers is the duty assignment of the individual. In this regard it is possible to describe situations in which a second lieutenant occupies a position wherein he makes significant managerial decisions while the particular assignment of one holding the rank of colonel is totally divorced from any such considerations. They are too few to merit more than passing acknowledgment. Generally, there is a hazy area between various officers of the rank of major and colonel concerning their being categorized as low or middle managers, and middle or top managers, respectively. The essential consideration, then, is the decisions with which the individual is concerned, although the expected correlation of rank and type of decisions once again is evident.

¹The classification of managers as described herein is not published officially but is concurred with by officers assigned billets directly related to Project PRIME at Headquarters Marine Corps. These officers include: Lt. Col. T. F. Redfield, Major Mark Loveless and Colonel K. P. Sturdevan.

²In the version of the system referred to as Project PRIME the term bottom (or lower) manager is not specifically addressed. There are several reasons, the most important of which is the fact that these managers are normally officers of the first three grades--second lieutenant, first lieutenant, and captain. Their

The third consideration is one which deals with quantitative factors. There are few occasions in the managerial world wherein the most important decisions are not those which deal with the greater values, usually expressed in numbers of dollars involved. This truism carries over to military managerial activities, but requires amplification. There are a number of managerial positions in the Marine Corps which, though not directly dealing in large transactions of monetary value, must be considered as middle or even top managerial positions. Such exceptions ordinarily encompass those individuals holding designations which are concerned with the administrative aspects of management. An example is the officer assigned the position of Fiscal Director of the Marine Corps. Despite the fact that he is not directly responsible for the disbursement of significant sums of money he occupies a vital position as a top manager in the Marine Corps.¹

Middle Manager--PRIME Revised: Generally the determinants described above hold true for those subscribing to this definition of Project PRIME. There is, however, in this revision a movement down the managerial ladder dependent on assignment to Fleet Marine Force commands. An example is the determination that

duties do not involve the authority to make managerial decisions of significance even in the original version of Project PRIME. The preponderance of their contributions take the form of information provided for use in decision making at the next level of management--the middle manager.

¹The description of the duties to be performed by the above described officer are listed in Marine Corps Order 3700.6B, paragraph 13.

The main consideration is the value of the

beneficial to the community. There is no doubt that the

only benefit to the community is the fact that

the value of the property is increased by the fact

that the property is situated in a desirable

location. The value of the property is increased

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detailed mechanics of accrual accounting will not be required of combat organizations and other specified organizational units. As a result, various positions on the managerial ladder would be rearranged. For example, numerous majors would become bottom or lower managers, and a comparable number of colonels would be considered as middle managers instead of top managers.

Middle Manager--PRIME '69: The categorization of these managers is comparably simple. Under the revisions of this version of Project PRIME those officers receiving Operations Budgets are considered middle managers. Those officers who administer operating funds or sub-allotments under these budgets are lower or bottom managers. Those responsible for administering the monies of a "Major Claimant" occupy positions of top management. The Headquarters of the United States Marine Corps is the sole major claimant.¹

Sources of Information

As previously mentioned, the reference material available in the area of Resources Management in the Department of Defense is largely concerned with the systems at the level of top managers. As previously discussed, aside from the applicable Marine Corps orders and Department of Defense directives, little has been written on the subject of Project PRIME relative to the mechanics of application. As a result the writer had to rely on

¹Marine Corps Order P7000.3, paragraph 16.

General Commission of the United Nations. The Commission is composed of 18 members, 12 of whom are elected by the General Assembly and 6 are elected by the Security Council. The Commission is the highest authority in the United Nations system for the promotion and protection of human rights. It is responsible for the promotion and protection of human rights, for the investigation and settlement of human rights violations, for the preparation of reports on human rights, and for the recommendation of measures for the promotion and protection of human rights.

Human Rights Commission - The Commission is the highest authority in the United Nations system for the promotion and protection of human rights. It is responsible for the promotion and protection of human rights, for the investigation and settlement of human rights violations, for the preparation of reports on human rights, and for the recommendation of measures for the promotion and protection of human rights. The Commission is composed of 18 members, 12 of whom are elected by the General Assembly and 6 are elected by the Security Council. The Commission is the highest authority in the United Nations system for the promotion and protection of human rights. It is responsible for the promotion and protection of human rights, for the investigation and settlement of human rights violations, for the preparation of reports on human rights, and for the recommendation of measures for the promotion and protection of human rights.

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United Nations Human Rights Commission

interviews with managers who have been exposed to this facet of the system. This approach was less than ideal for several reasons. The first was the fact that a lack of propinquity precluded contact with a larger number of the managers occupying these billets. The second was the hesitation on the part of the managers interviewed to give permission for direct quotation. (However, as a result of these interviews, the writer approaches the subject with a new perspective.) The writer interviewed a total of 31 officers who occupied or had occupied middle managerial positions in the Marine Corps. Most were involved in PRIME Revised. At each such interview a questionnaire, attached as Appendix A, was completed. The totals indicate the number of managers so answering the questions on the format. Whenever possible the conclusions drawn from these questions were substantiated by direct quotations.

For obvious reasons the managers interviewed were located at Marine Bases on the East Coast of the United States. Investigation of reports and interviews at Headquarters United States Marine Corps indicates that there is no significant difference between the problems and performance of middle managers in this area and like managers in other locales.¹

¹The reports referenced include Monthly Performance Reports and related materials. Officers concurring in this judgment include the Fiscal Director of the Marine Corps, Mr. James Wright, Lieutenant Colonel J. F. Redfield, and Major Mark Loveless of the Fiscal Division, Headquarters Marine Corps, Washington, D. C.

In addition, seven officers in related areas stationed at Headquarters Marine Corps were interviewed, and quotations therefrom are used to substantiate the results of the questionnaire whenever possible.

The Office of Evaluation and Review, Fiscal Division, Headquarters United States Marine Corps made available to the writer volumes of reports and correspondence dating from the initial days of Project PRIME until the present time. These reports and related correspondence will also be employed relative to the conclusions drawn from the opinions expressed by the middle managers interviewed.

The subject matter of this paper necessitates that it deal with specifics and practical application as opposed to the conceptual and general aspects of PRIME as a management system. The writer acknowledges the requirement that one must be at least conversant with the basic concepts which relate to these particulars if the full impact of the administration of PRIME is to be appreciated. The subsequent chapters which deal with the conceptual derivations of Project PRIME are not intended to be exhaustive, nor could they be in a paper of this duration. The reader is referred to the applicable entries in the bibliography for a deeper consideration of these principles.

CHAPTER II

DEFENSE MANAGEMENT SYSTEMS IN THE FEDERAL GOVERNMENT

The complexities involved in Defense decision making today stand in dramatic juxtaposition to the comparable efforts of the earliest of military managers although the essential considerations are the same. The leaders of the first organized units had to recruit, train and equip their fighting forces and maintain them in a combat ready status. Managerial efforts may have consisted of issuing an extra spear or spare bow string, yet it required management information--what to buy; how many; and when. As man became more civilized his means for waging war became less civilized--and more complicated. With each advancement in the state of the art, additional resources had to be spent in equipping a military force, and the costs involved increased proportionately. Eventually, it became impossible for the lord of the manor to summon his vassals and lead them into battle. Man to man encounters gave way to employment of machinery and the siege of an enemy stronghold now took months of efforts by artisans and engineers.

The advent of gunpowder made the waging of war doubly involved when firepower became equally important as manpower.¹ The ultimate result was that the ability to wage war was essentially tied to the ability to produce the means by which the war was to be fought. A second consequence was that the costs involved soon exceeded the ability of private parties to finance armies. The expense was so enormous that it was within the reach solely of governments, and often the poorer nations were unable to finance the combat forces they desired.

The principle of mass armies in combat required the entry of private industry into the waging of war. Governments found that although they were able to raise sufficient money to finance the forces they desired, they were unable to provide the stores necessary from their own stocks and manufacturing plants. The letting of contracts to produce war materials was the beginning of the gigantic industrial complex which today concerns itself with the production of weapons systems and related materials.² The United States of America is a late entry in the history of financing and managing armies and related weapons, but even her short history recalls several efforts in this regard. The following account of the major efforts in the areas of government budgeting, disbursement and accounting is a

¹Richard A. Preston, Men in Arms (New York: Frederick A. Praeger, 1965), p. 6.

²Ibid., p. 7.

logical stepping stone to a discussion of Defense management systems as they exist today.

Legislation Involving Federal Management

The history of every nation lists various phases of its activities whereunder it collected, disbursed and accounted for money. History is replete with accounts of the extreme tactics employed by governments in order to exact taxes from the people. In general, there never seemed to be enough money in government treasuries to finance its expenditures. The original problems facing the United States as a nation were therefore unique.

During the years following 1789 the government had quite another problem--how to legally expend the surpluses which accumulated in the Treasury. The Federal Government was small and her revenues from customs and tariffs far exceeded her expenditures.¹

This rather pleasant task was eroded by the War of 1812 when the government experienced a considerable deficit in spending. The era of federal surplus ended abruptly and was never to return again for any length of time. Of the sixteen fiscal years between 1894 and 1909, ten were years in which a deficit was incurred.² With the advent of increased expenditures

¹Ott and Ott, Federal Budget Policy (Washington, D. C.: The Brookings Institution, 1965), p. 5.

²Jesse Burkhead, Governmental Budgeting (New York: John Wiley & Sons, Inc., 1956), p. 11.

by enlarged government activities and the existence of the deficit, attention was directed to the manner in which the government expended and accounted for its funds. In 1910, President Taft appointed a Commission on Economy and Efficiency in Government.¹ The purpose of this Commission was to examine the fiscal and financial operations of the Federal Government and make recommendations to Congress concerning their improvement. The report was delivered two years later and one of the major recommendations made was the establishment of an entirely different form of Federal budget.² These recommendations included more specific dictates as to how the budget was to be organized and executed. It was to be a comprehensive executive budget which would be classified by program or function and would distinguish between expenditures for capital acquisition and for currently expended items.³

In subsequent paragraphs mention will be made of these same recommendations in connection with the establishment of the budgetary procedures called for under the existing Resources Management Systems in the Department of Defense. This is one indication of the extreme deliberation with which the Congress

¹Ibid., p. 213.

²Ott and Ott, Federal Budget Policy, p. 5.

³Arthur Smithies, "Conceptual Framework for the Program Budget," Program Budgeting, Program Analysis and the Federal Budget, edited by David Novick (Washington, D. C.: Government Printing Office, 1965), p. 7.

enacts such proposals. It is not widely publicized that many of the enactments which are associated with the Management Revolution of the 1960's were actually recommended over 50 years previously. In this regard Aaron Wildavsky, in his earthy appraisal of the traditional hesitancy to change exhibited by the Congress, said:

The tradition of reform in America is a noble one, not easily denied. But in the matter of Congress and Budgetary procedures it is better to identify your proposal (for change) as a revision, or amplification of present policy. These terms seem not to carry with them the quality which dooms most proposals calling for changes in a system with which they [Congress] are fully acquainted.¹

Subsequent to World War I efforts at improving management in the government resumed. The passage of the Budgeting and Accounting Act in 1921 was a major step toward more efficient management in the Federal Government. It implemented many of the recommendations made by the commission appointed by President Taft, the most important of which dealt with the formulation and execution of the budget. It required the President to submit a comprehensive budget proposal for review by the Congress, and set up the Bureau of the Budget to assist him in this regard.²

¹Aaron Wildavsky, The Politics of the Budgetary Process (Boston: Little, Brown and Company, 1964), pp. 131-32.

²Smithies, "Conceptual Framework," p. 9.

However, the form of the budget remained the same. The entire budgetary cycle concerned itself with the objects of the expenditures. Even this improvement failed to direct the attention of budget proposals to the program for which the money was being expended, or the function with which it was concerned. It was still impossible to determine the magnitude of government expenditures for a given program or end mission because the money had been appropriated under numerous (often hundreds) of appropriations for specific items which were not tied to the programs under which they were to be expended. Program Budgeting remained in limbo.¹

The next major effort at reform in government financial procedures was made by the Commission on Organization of the Executive Branch of the Government. This commission, appointed by President Truman, is popularly referred to as the First Hoover Commission and will be so called in this paper. The First Hoover Commission found that,

. . . the budget document itself, because of its size and complexity and its concentration on services and materials to be bought rather than programs to be undertaken, is a relatively ineffective tool of management.²

¹Ibid., p. 133.

²U. S. Commission on Organization of the Executive Branch of the Government, Concluding Report (Washington, D. C.: The Government Printing Office, 1949), p. 13.

In order to produce a budget document which would be more useful to both the President and Congress, the First Hoover Commission recommended that "the budget document be completely recast along the lines of work programs and functions. Such a document we designate as a 'performance budget'"¹

A performance budget is defined as,

. . . one which presents the purposes and objectives for which funds are required, the costs of the programs proposed for achieving these objectives and the quantitative data measuring the accomplishments and work performed under each program.²

In keeping with the aforementioned characteristics the Congress did not enact legislation as recommended by the First Hoover Commission and the budgeting procedure continued on as of old. There were, however, certain procedures which were included in the Budgeting and Accounting Procedures Act of 1950 which laid the foundation for much of the advancement which was to take place during the next fifteen years. These will be discussed in detail in subsequent paragraphs.

A Second Hoover Commission in 1955 expanded upon the efforts of the original body. It recommended a "program budget" of even more specific confines than the performance budget to which reference was previously made. This proposal sought improvements in the government accounting system. The system

¹Ibid.

²Burkhead, Government Budgeting, p. 133.

proposed would enable future budgeting to be made on a cost basis and oriented toward results rather than procurements.¹ As in the concept forwarded by the original Hoover Commission, the budget would be based on performance or end results. The Commission further recommended that Government Accounting be done on a cost accrual basis so as to provide such management information as would enable the President and Congress to equate resources expended and results achieved. Finally, in 1956, a close version of these proposals was enacted into law.²

The purpose of the preceding paragraphs was to present the development of certain managerial processes in the Federal Government. These processes directly relate to a discussion of the Resources Management Systems which are presently in effect in the Department of Defense, and, therefore, to Project PRIME as it exists in the United States Marine Corps.

However, before commencing an investigation of these systems one additional facet must be presented. Paralleling the development of management techniques in the government was a similar development in the Department of Defense. The following paragraphs are devoted to those legislative enactments, executive

¹Smithies, "Conceptual Framework," p. 8.

²Public Law 863 called for an accrual based accounting in all government departments. However, on December 1, 1968, only 37 per cent of government agencies had complied. A full statistical breakdown of these is listed in the lecture notes of Dr. Karl Stromsen, School of Government and Business, The George Washington University, Washington, D. C.

directives and related procedures which created the environment in the Department of Defense prior to the arrival of Robert S. McNamara and the initial efforts toward Resources Management Systems as they exist today.

CHAPTER III

EVOLUTION OF MANAGEMENT SYSTEMS IN THE DEPARTMENT OF DEFENSE

Background History

Since 1789, the direction of the Armed Forces of the United States has been vested in one man--the President. According to Article II, Section 2, of the United States Constitution, he is Commander-in-Chief of the Army and Navy. The advent of gigantic armed forces and the capability to virtually destroy entire nations has not altered this basic fact--The President is personally responsible for the employment of the Armed Forces of this nation.

What has taken place, however, is a drastic change in the organizational pattern of support for the President in the execution of these responsibilities. Initially, a single deputy, the Secretary of War, was his sole assistant.¹ In 1798, naval activities assumed new importance as a result of the engagements

¹Paul Y. Hannond, Organizing for Defense; The American Military Establishment in the Twentieth Century (Princeton, N. J.: Princeton University Press, 1963), p. 26.

attendant to the Barbary Coast, and the Department of the Navy was established.¹ During the next 150 years the President constituted the sole court for settling disputes between the two military departments. This arrangement remained in effect until the creation of the Office of Secretary of Defense in accordance with the provisions of the National Security Act of 1947.² During most of the ensuing period there was little difficulty in arbitrating disputes since the dividing line was quite clear. What had to do with the water was properly a concern of the Navy, and all else belonged in the domain of the Army.

The simple logic of this proposition was inexorably eroded by the developments which accompanied the increasingly complicated business of preparing for and waging war. During the initial stages of this period the size of the Army never reached beyond 18,000 and the Navy 13,000--the import of which would attract only passing attention.³ However, with the conclusion of every confrontation involving the use of the Armed Forces, proposals were forwarded in hopes of achieving a closer coordination between the various services. Ultimately this would minimize the parochial

¹Ibid., p. 29.

²National Security Act of 1947, Public Law 253, 80th Cong., 1st sess., July 26, 1947 (61 Stat. 495).

³C. W. Borklund, The Department of Defense (New York: Frederick A. Praeger, 1967), p. 4.

self seeking which was much in evidence during the recap of such endeavors.¹

World War I brought to light some serious problems regarding the waste of time, money and resources caused by conflicting demands on the nation for war materials from uncoordinated Army and Navy procurement officials.² Perhaps the most celebrated of these debates was the one occasioned by the court martial of Brigadier General William Mitchell. During the testimony several noted military personnel gave conflicting statements concerning the value of creating "a law establishing three branches of military services--land, sea and air--with one individual, a Secretary of Defense, responsible for all national defense."³ The debates which arose died a natural death, and the military establishment continued in status quo until World War II.

As in all previous conflicts, deficiencies in the operation of the Armed Forces were also brought to light during this war, and to an extent never before realized. However, the end of this global war did not bring an era in which the calm of peace time endeavors could silence the need for change. A new term came to light. A new responsibility has been created. The Cold War was declared.

¹Timothy W. Stanley, American Defense and National Security (Washington, D. C.: Public Affairs Press, 1965), p. 43.

²Borklund, The Department of Defense, p. 5.

³Ibid., p. 19.

The magnitude of the basics involved resulted in an objective appraisal of the military establishment as it existed, and the prospective which resulted recognized the military as only one facet of the many sided considerations involving economic growth, internal security, foreign policy and national goals.

Protagonists were quick to realize that the threat of nuclear war demanded careful, coordinated and thorough planning for preventive efforts and counter attack. Parochial considerations, it was concluded, must of necessity be put aside. As one writer was to record, looking back on this period:

Heretofore, the tasks of the armed forces in peacetime had been primarily to maintain cadres of trained officers and men, to engage in mobilization planning, develop prototypes of the weapons they would like to order in quantity, and try to foresee the circumstances and places in which they would be called upon to fight. Each service had had a [fighting] capability in being, especially the Navy; but these forces were rarely expected to become involved in major military operations until after America's friends had been precipitated into war. Now all this changed. Contingency plans might have to be executed which required a force of the magnitude never before known in peacetime, and this might have to be done without a period of grace for mobilization.¹

Compounding the criticality of these considerations was the advent of a technological revolution. The end of World War II brought with it the fruits of unprecedented research and the

¹William W. Kaufmann, The McNamara Strategy (New York: Harper & Row, 1964), p. 5.

potential for the greatest leap forward in the history of empirical sciences.¹ One who would be intimately involved in the fruits of this expansion of scientific knowledge commented, ". . . this explosive change has had no precedent in the 40,000 years of Homo Sapiens."²

These advancements in technology brought with them a commensurate increase in the dollar cost associated with implementing the potential they created. The staggering costs involved in the assumption of the role thrust upon the United States gave rise to repeated calls for economy and efficiency in administering the funds attached thereto. It was in this atmosphere that President Truman engaged in his controversial efforts to unify the services as a measure to reduce costs and increase efficiency. In addition to his concern with unification as a measure to increase efficiency and reduce costs, President Truman was concerned with establishing adequate controls over the rapidly expanding military community. These efforts were formalized under his leadership with the passage of the National Security Act of 1947.

The National Security Act of 1947

This controversial legislative enactment established the position of Secretary of Defense, and was a significant

¹National Educational Association, The Technological Revolution (Cambridge, Mass.: Harvard University Press, 1965), p. 36.

²Robert S. McNamara, Address at Chatham College, Pennsylvania, 1966.

development in the effort to bring more effective and efficient civilian control over the military.¹ This act intended to bring the three military departments of the Army, Navy (including Naval Aviation and the Marine Corps), and Air Force under the general direction, authority and control of the Secretary of Defense.² The passage of this Act once again gave rise to fear of imminent unification of the services on the part of those who vigorously opposed it in the past. Although the debate had been dormant for almost a decade many of the senior officers of the services recalled that in 1932 a proposal for unification of the Armed Forces (at a purported savings of \$100 million) was narrowly defeated on the floor of the House of Representatives.³

The heads of the various services were unanimously opposed to unification and were aware that President Truman was strongly in favor of such a move. As a result, the first Secretary of Defense operated in an atmosphere of distrust on the part of the military. For purposes of this paper, the most significant aspect of this entire episode had to do with the reasoning upon which President Truman based his conclusions. The President believed that "we should integrate our strategic plans, our budget and the military program."⁴ He proposed that

¹Borklund, The Department of Defense, p. 132.

²National Security Act of 1947, Public Law 253, 80th Cong., 1st sess., July 26, 1947 (61 Stat. 495).

³Borklund, The Department of Defense, p. 16.

⁴Ibid.

these concepts were all aspects of the same basic decisions. It was toward this same end that much of the Resources Management Systems instituted during the 1960's was oriented even though the various services retained their identities.

The second aspect of this Act which relates to the subject matter herein is the fact that a subsequent amendment thereto provided for the establishment of an Assistant Secretary of Defense, Comptroller.¹ The military manager of today is well acquainted with such names as Wilfred J. McNeil, Charles J. Hitch, and Robert N. Anthony who were to occupy this position subsequently. Most of the detailed considerations of middle managers today originated with these individuals.

Several developments during the next decade further strengthened civilian authority over the military chiefs including the reorganization of the military departments out of the chain of command to the Commander in Chief.² The entire atmosphere surrounding the military had changed.

There were only isolated instances of acceptance by the military. General Maxwell D. Taylor supported a mission-oriented budget as Chief of Staff of the Army. He stated that

¹Charles J. Hitch, "Decision Making in the Department of Defense," from the H. Rowan Gaither Lectures in Systems Sciences at the University of California, April 5-9, 1965, p. 18.

²Department of Defense Reorganization Act of 1958, P. L. 85-599, 85th Cong., 2nd sess., August 6, 1958 (72 Stat. 514).

The only meaningful way to look at our Armed Forces is to consider the functions of the various services. It is no longer satisfactory to view the mission of each service vertically. We must view them horizontally as integrated forces. . . . This is the way they will be employed in wartime.¹

However, this candor likened General Taylor to the voice in the wilderness. The various services continued to compete for the budget dollar, often duplicating efforts and crossing lines of traditional missions. The confrontation of the Air Force and the Navy over budgeting for service oriented weapons systems in the celebrated "Admirals Revolt" resulted in congressional hearings on the matter.² It became apparent during these proceedings that the United States could not accurately determine what kind, or how much defense was being purchased with the taxpayers' money. The inevitability of a system which would eliminate this glaring deficiency loomed. It was in this climate that Robert S. McNamara began his efforts to establish a form of scientific management in the Department of Defense.

¹Borklund, The Department of Defense, p. 133.

²Vincent Dows, The Admirals Lobby (Chapel Hill: The University of North Carolina Press, 1967), p. 213.

CHAPTER IV

THE RESOURCES MANAGEMENT SYSTEMS OF SECRETARY McNAMARA

Background

When asked by President Kennedy to accept the position of Secretary of Defense, Mr. McNamara investigated three basic areas prior to accepting the position. First, he determined the general climate which then existed in the Pentagon. He found that the programs calling for more efficient management initiated by his predecessors were virtually dormant. He concluded, however, that a conceptual framework around which he could rally the support of senior military officers did exist. Secondly, he investigated the potential impact of the increase of authority which had been granted to the Secretary of Defense by the legislative enactments of the previous decade. He decided that the authority to make the changes he anticipated theoretically existed in the mandates provided by existing laws. Thirdly, he asked himself the question: "Could I, or for that matter, could anyone, truly manage the Department of Defense."¹

¹Robert S. McNamara, "Managing the Department of Defense," Civil Service Journal, IV, No. 5 (April-June, 1964), p. 1.

Among the first observations he made was that, although the authority and the power afforded the Secretary of Defense encompassed any decision he might be required to make, the manner in which the decision was to be made was hazy. The duties were clear, the authority ample, and the staff virtually complete, but "little had been done to provide the tools whereby decisions could be made."¹ Resources Management Systems in the Department of Defense came into being to provide him with these tools, and were to be so ordered as to provide the same facility to all managers involved.

Mr. McNamara found that the complexities involved in managing the Department of Defense were extensive enough to lend credence to his query concerning the ability of anyone to effectively control it. Nearly three million military personnel fell under his jurisdiction and the related support activities involved the employment of over one million civilians. In addition, his attention had to be directed to the nearly one million reserve personnel. Managing a huge industrial concern paled in light of these statistics and the fact that he would be faced with the responsibility of administering a budget in excess of \$60 billion.² He realized that the significance of his

¹Ibid., p. 4.

²Time, February 3, 1963, p. 31. These figures do not reflect the increases in both money and materials which subsequently came under the direction of the Secretary of Defense.

decisions was to extend beyond the parochial considerations of the Department of Defense. His decisions would affect the very economy of the nation. His judgments would have significant implications on the peace of the entire world. The job was a formidable challenge, even for one whose managerial talents were unquestioned. He began his awesome task by initiating systems which would provide him with the best possible information for decision making.

When Mr. McNamara arrived at the Pentagon in 1961, he found that military planning and budgeting were being performed independently. The responsibility for planning rested with the Joint Chiefs of Staff and the military departments. Requirements were stated in terms of military forces and the weapons needed to equip them. Budgeting, however, was done in terms of functional categories such as military personnel, travel, and pensions.¹

Because of the lack of coordination between military planning and defense budgeting, excessive amounts were being spent on like projects by two services simultaneously. In addition, the funds expended for these projects could not be determined in their totality. For example, an Air Force aircraft wing was charged only with the costs of the aircraft and related support equipment. Personnel, research and development costs,

¹Daniel Seligman, "McNamara's Management Revolution," Fortune, July, 1965.

base support efforts, and the like were budgeted and paid for separately. The same was true for a Navy aircraft wing. Total associated costs were not known and therefore a comparison of the two was impossible. There was a gap between the budgeting, planning and accounting aspects of defense expenditures.¹

Mr. McNamara sought an alternate method. He desired to expend funds in accordance with a total defense requirement. He envisioned that the best possible defense for the nation could be realized with a balanced posture of forces. To make these determinations he had to know the total cost of the various components comprising this posture. He initiated efforts toward establishing a defense budget which would close the gap between planning and budgeting and lay the foundation for scientific decision making. An essential ingredient of this procedure would include changes in the manner in which costs were accounted for in the Defense Department. He stressed the importance of looking at the Defense programs and their costs by mission, and insisted on a consolidation of accounting information in a format which would relate costs to missions or end results.²

Mr. McNamara was solidly grounded in statistical methods and economics when he assumed his duties. His previous use of

¹U. S. Department of the Navy, Supply Department, The Navy Programming Manual (Washington: Government Printing Office, 1965), p. 13.

²Stephen Enke, Defense Management (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1965), p. 37.

these and other quantified disciplines provided him with the background he needed. The blueprint for the system he was to adopt was already in existence in a book entitled, The Economics of Defense in the Nuclear Age, by Charles J. Hitch and Roland McKean. In this publication the authors gave detailed treatment to the previously mentioned gap in management of the nation's defense effort. They dealt at length with the proposition that the information available to managers in the Department of Defense was incompatible with the decisions which were to be formulated based on this information. One of the authors, Mr. Hitch, became the first Assistant Secretary of Defense (Comptroller) under Mr. McNamara.

In keeping with his belief that defense decisions must be made on the basis of a total overview of all the ramifications, Mr. Hitch began efforts to coordinate a management system which would be compatible with the decision making process desired by Mr. McNamara.

Integrating, Planning, Programming and Budgeting

The first step was to put budget figures into categories which were related to the things they would purchase--the end products or missions. Viewing the budget would then give information relative to the costs of the entire mission, and not just the portion of it directly associated with the end product. Both Mr. McNamara and Mr. Hitch were convinced that the financial management system must provide the data needed by top defense

management to make the crucial decisions involving the nation's defense. In pursuit of purifying the information available they employed a concept which was called "programming."¹ This concept was to serve as a bridge in closing the gap between the military planning process and the budgeting function.

This procedure gave recognition to the fact that the great technical complexity of modern weapons systems, the lengthy development and procurement time, devastating combat power and enormous costs place a tremendous premium on the selection of weapon systems for the future. Choices in these areas are the key decisions around which the defense planning, programming and budgeting were to be integrated into a complementary entity.²

In order to make the best possible decisions the Secretary of Defense must know the cost of each of the systems in relation to its military effectiveness. These costs must, in turn, be evaluated for a period longer than a single budget year. They must include the initial investment but in addition must reflect the annual operating costs associated in the years of its operational life. The resulting procedures directly relate to middle managers because they were subsequently to account for resources consumed in accordance with the categories selected

¹Hitch, "Decision Making in the Department of Defense," p. 37.

²Charles J. Hitch, "The Defense Budget as a Management Tool." An Address before the Annual Conference of the Armed Forces Management Association, Washington, D. C., March 1, 1963.

when this procedure was initiated.

A further aid in decision making was the establishment of a Five Year Defense Plan. This projection of requirements was to act as a blue print for the future concerning defense expenditures. It established for each service an anticipated force structure for five years in the future.¹ Using these program elements the decision maker would relate the requirement of the estimated enemy threat to the costs involved over the given future period. Planning and budgeting would be made in accordance with the dictates of the information thusly derived. Accounting for much of the dollars expended, for what program, and for which element would befall the middle manager, for it was he who would be given the responsibility for administering many of the program sub-elements involved in this system. The programs referred to above are as follows:²

1. Strategic Forces.--Consists of strategic offensive, strategic defensive and civil forces.
2. General Purpose Forces.--Consists of force oriented program elements other than those in Program (Budget Activity) I, including the command organizations associated with those forces, the logistics organizations organic to those forces, the related logistics and support units which are deployed or deployable as

¹U. S., Department of the Navy, Office of the Chief of Naval Operations, The Navy Programming Manual (OPNAV 90D-1, June, 1963), p. I-3-1.

²U. S. Marine Corps, Test Directive for Marine Corps Test of Project PRIME, MCSO P7000.3 (Quantico: Headquarters, Marine Corps School, 1968), pp. 5-6.

constituent parts of military or naval forces or field organizations.

3. Specialized Activities.--Consists of missions and activities directly related to combat forces, but not a part of any of the forces listed in Programs 1 and 2, on which independent decisions can be made. Includes resources for primarily national or centrally directed Department of Defense objectives for intelligence and security, and specialized missions such as weather service, aerospace rescue/recovery and oceanography.

4. Airlift and Sealift.--Consists of airlift, sealift and other transportation organizations. Includes command logistic support units organic to these organizations. Costs are net after deduction of revenue from users.

5. Guard and Reserve Forces. Elements are arranged by program (Strategic Forces, General Purpose Forces, Specialized Forces, Airlift and Sealift, Personnel Support and Administration) in order to facilitate relating guard and reserve forces to the active forces to which they would be attached if mobilized.

6. Research and Development.--Includes all research and development activities which are not related to items which have been approved for procurement and deployment. The cost of research and development related to such items will appear in appropriate elements in other programs.

7. Logistics.--Consists of supply and maintenance that are not organic to other program elements. Includes not-deployable supply depots and maintenance depots.

8. Personnel Support.--Consists of training, medical and other activities associated with personnel, excluding training specifically identified with another program element and excluding housing, subsistence, medical, recreational and similar costs that are organic to another element such as base operations.

9. Administration.--Consists of resources for the administrative support of departmental and major administrative headquarters, field commands, and administrative activities (not elsewhere accounted for), construction support activities, and miscellaneous activities not accounted for elsewhere.

Each of the preceding programs was so designed in order to clearly distinguish at the major program level between (1) activities directly related to defense posture, on which independent decisions can be made, and (2) activities whose size and resources are essentially dependent on the size and position of the independent activities. Programs 1 through 6 are considered to be independent or force oriented programs. Programs 7, 8, and 9 are considered dependent programs. The majority of the decisions in Program 6, Research and Development, will be made in relation to the force oriented programs by virtue of the inevitable relationship of the two on the majority of undertakings in the field of research and development.¹

¹Navy Programming Manual, p. I-6-2.

These major programs have been further subdivided into program elements which are the major building blocks of the programs. A program element is both a description of a program to be undertaken and a device for collecting costs. Program elements are classified into two types--mission and service. Mission program elements are charged with the cost of services which are related and measurable and obtained from service units in addition to the costs routinely and directly chargeable to the mission. Service program elements reflect only those costs which are not charged to mission elements as paying customers.¹

In light of these programs middle managers would account for expenditures under only one of these programs relative to the following functional categories and elements of expense:

Functional Categories

1. Mission Operations
2. Supply Operations
3. Maintenance of Material
4. Property Disposal
5. Medical Operations
6. Overseas Dependent Education
7. Personnel Support
8. Base Services
9. Operation of Utilities
10. Maintenance and Repair of Real Property
11. Minor Construction

¹Ibid., p. II-3-1.

12. Other Engineering Support

13. Administration

Elements of expense

1. Military Personnel (at standard rates)
2. Military Trainees (at standard rates)
3. Military Unassigned (at standard rates)
4. Civilian Personnel
5. Travel of Personnel
6. Transportation of Things
7. Utilities and Rents
8. Communications
9. Purchased Equipment Maintenance (Department of Defense)
10. Purchased Equipment Maintenance (Commercial)
11. Printing and Reproduction
12. Other Purchased Services
13. Aircraft, Petroleum, Oils and Lubricants
14. Ship Petroleum, Oils and Lubricants
15. Other Supplies
16. Equipment

Theoretically, managers are, as a result of these classifications, able to participate more fully in decisions because they have a measure of both inputs and outputs. Consequently, the operating manager's experience should be more expeditiously incorporated into the programming process. With the

additional input now available the decisions which previously were void this management information would acquire a new measure of validity.

In the initial version of Project PRIME the aforementioned elements were to be administered by middle managers. Since the totality of military outputs was in great measure a combination of these elements, the significance of the middle manager is *prima facie*.

These elements comprised the day-to-day operations involving the men, equipment and related resources expended to achieve a specified and measurable end result or mission.¹ Since each Department of Defense activity falls within one and only one program element, the total of all the elements taken together constitutes the total planned output of the Defense Department for the period involved.

A further consideration prompted by the preceding discussion involves the costing of subject elements. Since the major program decisions are made in light of the program elements involved, the programming system requires costing by program elements to insure the appropriate management information related to these decisions. The middle manager accounts for his considerable portion of the amounts involved by accruing them in

¹U. S., Department of Defense, DOD Programming System, Directive 7045.1, 1964, p. 2.

one of three categories--Operating Expenditures; Capital Expenditures; or Research and Development. The vast majority of the dollar cost involved is tied to the first of these categories, and includes those items of equipment, payment and utilization of manpower, and the balance of those resources funded through the Operations and Maintenance appropriations.¹

The essential dictates of the management system entitled Project PRIME call for the provision of management information enabling decisions to be made based on the planned costs and budgeted amounts when compared to the end results achieved. This ability is one which did not previously exist in any appreciable degree across the entire gamut of federal expenditures.² Dr. Anthony intended that the middle manager be intimately involved, for it was he who would make many of the decisions concerning the category to which considerable of these costs would be accrued. Dilemmas which faced middle management will be given exemplary representation subsequently. The managerial decisions which were originally intended for the middle manager in the Marine Corps were outlined under the initial dictates of Marine Corps Order P7000.5A.

The preceding paragraphs have described the manner in which information was to be provided top management to enable them to improve on the decision making process. The process involved

¹A detailed description of the accounting and disposition of the Operating and Maintenance Appropriation is included in this chapter.

²Supra, p. 28.

in the decision making process includes such concepts as "Operations Analysis" and "Systems Analysis." In a word, they consist of a quantitative comparison of the benefits and costs of various proposals, compared in light of the enemy threat they oppose or a specific mission to be accomplished. The mechanics of this decision making process are highly technical in nature and not germane to this paper.

We have thus far discussed how the information which is utilized in the system is gathered and the format in which it is presented. This facet is one with which middle management is intimately concerned. It is not the sole facet, however, for the Resources Management Systems instituted by Mr. McNamara is a two-headed coin. The first side has been discussed; the second side now presents itself for examination.

The Other Side of the Management System Coin

Mr. McNamara was responsible for expanding existing management systems to include the entire gamut of Planning, Programming, and Budgeting. As previously mentioned, there was a dual aspect of the system since it concerned itself not only with the decision making process, but also with the manner in which managers were to perform their duties. This was the second side of the coin. Thus far, this paper has addressed the major issues involved. These issues center around one basic goal--a more effective decision making process. This objective includes a wide range of considerations, including the format of the

information utilized by top management, the accounting procedures employed, the criteria utilized, the quantification of previously undefined missions, and various other policies incumbent on a scientific management system. The systems discussed so far were described in broad conceptual terminology and the mechanics involved were not addressed. The Resources Management Systems, as discussed thus far are the strategy. They are the ideas and directions through which top management will obtain the required information for decision making. It is, as the title describes, a system, or a total overview of the entire area of management and decision making at the highest level.

In addition to being a total management information system the authors of these endeavors intended that the Resources Management Systems in the Department of Defense be an entity serving another and equally important goal. This end was much more tangible and its goals far less lofty. The Resources Management Systems in the Department of Defense were also intended as a management tool for managers of all levels. The President of the United States made this clear when he said,

I want every manager to think of his part of the total government in terms of everything he owns, everything he owes and the full cost of doing every job in relation to the products resulting from these costs. I want him to think of minimal costs and cost reduction as a profit from better management. And I want him to think in terms of his profit as a result of how he uses the resources entrusted to him.

Your full support is needed. Every manager, both general and financial alike must feel responsible for providing the highest quality, business-type information for this system.¹

¹President Lyndon B. Johnson, White House Memorandum, May 24, 1965.

The Assistant Secretary of Defense (Comptroller) during this period made this side of the coin even more distinct when he said,

Our purpose in undertaking this [management] effort is not merely to comply with executive requirements. Our interest is in the manager, in enabling him and motivating him to do the best, the most effective and the most efficient job of which he is capable. It is also our purpose to provide the manager with the tools to do such a job.¹

There now exists a new requirement. Procedures in force had to be changed so as to conform with the policy guidance set forth by the President and the Secretary of Defense. Mr. Anthony stated it this way:

The Office of the Secretary of Defense has prescribed top management information requirements the general principles, the definitions and the uniform practices that are necessary for over-all consistency. Each Service and Agency will develop a system that both conforms to these principles and also meets its own management needs. In the United States Navy and Marine Corps this effort is called Project PRIME.²

¹Robert N. Anthony, from a speech delivered to the Industrial College of the Armed Forces, Washington, D. C. printed in Armed Forces Management, June, 1966.

²Robert N. Anthony, The Armed Forces Controller (Washington, D. C.: Government Printing Office, April, 1965), p. 3.

CHAPTER V

PROJECT PRIME IN THE ARENA OF MIDDLE MANAGERS

General

The Marine officer of today must exhibit talents in addition to those expected of his predecessors. The leadership qualities, esprit and devotion which have been traditional amongst Marines for almost 200 years are no less important now; but an effective Commander must now acquire an additional attribute--he must be an efficient manager. It is true that Commanders of the past were responsible for the financial operations of their units, but this function normally encompassed the management of an allotted amount so as not to overspend. This managerial skill no longer suffices. The Commandant of the Marine Corps is specific about this point:

The Marine Corps has developed a philosophy of financial management upon the principle that financial management is inherent in command. This merely extends that basic military axiom that a commander is responsible for everything and everybody in his organization. . . . But [new] systems of management require that commanders acquire additional managerial skills.¹

¹U. S. Marine Corps, Marine Corps Order P7000.9B, A Financial Guidebook for Commanders, para. 19.

To assist the commander in financial management the Marine Corps has established at Headquarters Marine Corps and its larger commands a general staff financial organization to act as the principal financial advisor to the commander.¹ In addition, selected officers are sent to postgraduate training in financial management. In keeping with the policy of educating managers, however, these officers are not restricted to assignment as comptrollers. Officers having postgraduate training in the area of financial management will fill on a rotational basis certain of the billets in the Marine Corps which have been designated as rating a graduate of the Financial Management Course. However, these assignments are rotated so as to provide as many prospective commanders as possible with a solid background in the field of financial management.²

A second basic tenet in this philosophy is that it is the responsibility of every Marine to insure the most economical utilization of available resources. In this regard the Marine Corps looks upon Project PRIME as an additional tool by which this goal can be achieved.³

¹Ibid., p. 2.

²U. S. Marine Corps, Marine Corps Order P7000.9B, A Financial Guidebook for Commanders, p. 18.

³General Wallace M. Greene, Commandant of the Marine Corps, in an address to the students of Staff and Command College, Quantico, Virginia, April 24, 1965.

Project PRIME as Initially Proposed

The writer has referred to the original version of Project PRIME as proposed by Dr. Anthony as including two sides of the management coin. The initial aspect addressed the need for accurate information in proper format for decisions which were to be made by top management. The second had to do with a provision which would, hand in hand with the above consideration, provide a management system by which managers of all levels could better perform their duties. In order to create the proper perspective a discussion of the first version of Project PRIME is imperative as it was initially proposed during 1965.¹ In the subsequent months a formal, although not detailed, proposal was formulated in preparation for congressional review. The provision of the required funds associated with the installation of the system was an essential consideration.

That Assistant Secretary Anthony intended this to be a full management system is made quite clear from the following quotations taken from his speeches and articles during the aforementioned timeframe.

Our purpose in undertaking this [management] system is not merely to comply with executive requirement. Our interest is the manager, in enabling

¹The Honorable W. Brewster Kopp, Assistant Secretary of the Army (Financial Management) said in an article published in the April issue, 1966 of The Armed Forces Comptroller, "In October, 1965, Dr. Anthony, by memorandum to Secretary McNamara responded to the Secretary's request to outline a concept for Resource Management to be in business by July, 1967."

him and motivating him to do the best, the most effective, and the most efficient job of which he is capable. It is also our purpose to provide the manager with the tools to do just such a job.¹

It is our goal to charge each organizational unit with 100% of the measurable expense that it incurs.

. . . As I said in the beginning, the purpose of every management system is to aid the manager.²

The accounting was to be done down to the lowest practical level. This premise of the original system has never been totally employed in the Marine Corps. The specific problems encountered in the incorporation of the required accounting systems will be treated in detail in the chapter entitled Conclusions and Recommendations. Basically, all accounting was to be on a cost accrual basis. Under this concept revenues and expenses are identified with specific periods of time, such as four quarters during an accounting year, and are recorded as incurred without regard to date of payment. Under this system operating costs are accounted for in the period during which benefits are received. The costs of such benefits received which are applicable to future periods are deferred and considered as assets.

The first opposition to this system came during the Congressional hearings of the House Committee on Military Appropriations during June of 1967. It was the opinion of the

¹Robert N. Anthony, speech delivered to the Industrial College of the Armed Forces, Washington, D. C., printed in the Armed Forces Management, June, 1966.

²Ibid.

Committee that the system called for "too much too soon."¹ Although this doomed the full scale implementation of Project PRIME for fiscal year 1968, it did not totally negate the overall effort. The Committee directed that no change be made in the Department of Defense budgeting and accounting system prior to the formulation of Fiscal Year 1969 budget presentation. It did not approve the funds for the implementation of Project PRIME as requested by Secretary McNamara.² The Committee did, however, state that there was to be a testing of Project PRIME at selected activities in each of the various services. The Assistant Secretary of Defense (Comptroller) directed that these tests be planned and executed during Fiscal Year 1968. The test in the United States Marine Corps took place at the Marine Corps Base, Quantico, Virginia.

Testing the Original Version of
Project PRIME

The Marine Corps test of Project PRIME began October 1, 1967. The test was conducted under normal staff and command structure (although there was augmentation thereto) in order to simulate conditions when PRIME was ultimately made effective in

¹U. S. Congress. Department of Defense Appropriations Bill, 1968, p. 6.

²Ibid., p. 13.

the field.¹ The objective of this test was listed in the authorizing directive:²

1. To evaluate the practicality of merging resources currently in the operations and military personnel appropriations.
2. To evaluate the parallel structuring of programing, budgeting and accounting.
3. To analyze the ability of the system to provide managers at all levels with information that will help them insure resources are obtained and effectively and efficiently utilized in the accomplishment of the missions of the test.
4. To ascertain that the system provides a means of assuring that statute agreements and other requirements emanating from higher authority relating to the resources are complied with.
5. To evaluate the cost of implementing the system at the test site in relation to the benefits realized.
6. To assess the impact of test results in relation to Marine Corps wide adoption of the concept.
7. To identify and recommend improvements or modifications to the concept of the systems involved in the test.

During the test period costs were to be accounted for in accordance with the original concept proposed by Mr. Anthony. It is noted that because of the nature of the functions conducted at Quantico (operation of Marine professional schools and training facilities) titles of the test elements and sub-elements did not include combat organizations (regiment, battalion). However, the comparable units at the test site "were designated as belonging to a given program, program element, functional category

¹U. S. Marine Corps, Order P7000.3, Test Directive for Marine Corps Test of Project PRIME (Quantico, Virginia: Headquarters Marine Corps School, 1967), p. 1.

²Ibid., p. 3.

and element of expense."¹ The reader should note this as one of the essential differences brought to light in discussing variances in the promulgation of what Project PRIME is today.

It should be further noted that the appraisal of middle manager under Project PRIME, in its original form, is restricted to the performance of those who occupied these positions during the test period at Marine Base, Quantico, Virginia. This is a distinction that is paramount in judging the appraisals made by top management in the ensuing period. Under this concept of Project PRIME applicable definitions are as listed on pages 9-13 of this paper.

Middle managers, it is noted, are of comparably junior ranks. Judgments rendered under this concept regarded middle managers as a "sine qua non" because the middle manager was to administer sub-elements, the total of which comprised a significant portion of the resources consumed.

Essential to . . . Project PRIME is the use of expense elements. Each expense is identified to a functional category, sub-functional category, cost center, and sub-cost center [which makes possible] the capability of assigning cost down to the lowest practical level.²

An officer in charge of such a sub-division can be considered a middle manager under the original version of Project PRIME. Under subsequent versions of this system distinctions must be made.

¹Ibid., p. 16.

²Ibid., p. 18.

Project PRIME: Revised

The initial period devoted to testing Project PRIME was actually a period of transition to a new version of the original concept. The changes made to the initial proposal had more to do with "whom" as opposed to "what". The significance of this evolution was that it was negative in nature. The subsequent versions of this management system were not a fuller more polished version of the original, but more properly were a devolution--an eroding of certain aspects of the original product. The portions of the original concept which were continued resulted in a management system entitled Project PRIME: Revised.

Under the dictates of Project PRIME: Revised a discrepancy arises concerning the definition of middle manager as discussed in the preceding paragraphs regarding the original version of PRIME and its testing period. When top management uses the term "Middle Manager" one must know the version of the system upon which the title is predicated. Depending upon the intent of the author one can attribute the term to individuals as distinguishable as are the ranks of Captain and Major General.

If one predicates the term in accordance with the original version of Project PRIME then he might logically predicate it of those officers who are administering Marine Barracks with approximately fifty personnel assigned. If one refers to the Fleet Marine Forces which adjudicate Operating Budgets (in accordance with Project PRIME: Revised) at installation level, then one might properly refer to the Commander of such a base as

a middle manager. Such an officer is normally of flag rank. A clarification of the term "Middle Manager" in the Marine Corps becomes evident once again.

Further enhancing a claim that this distinction is necessary is a passage from the Guidebook for Commanders (regarding financial management), published by Headquarters Marine Corps in February, 1969. On page 8 of this document under the definition of "Program Elements," the examples of such an element include that of an Infantry Battalion. Fleet Marine Force units are now excluded from Project PRIME as program elements.

The instructional outline for the Financial Management Course at the Staff and Command College at the Marine Schools, Quantico, Virginia utilizes a similar example which is to a like degree confusing to those who will subsequently assume command in the Fleet Marine Force. The sharp distinction which exists between officers of middle management rank who are assigned to combat oriented units and those assigned to non-Fleet Marine Force units, such as Marine Barracks, is not clearly made in accordance with the lesson plans used in the instructional periods covering Project PRIME.

Delineating a definition covering each of these positions relative to the middle manager is not as important as insuring that the reader recognizes the discrepancy. It is imperative that this distinction be made during the balance of this paper, and the writer will often refer to such distinctions.

A Traditional Management Tool Replaced

Most middle managers in the Marine Corps first felt the effect of Project PRIME when one of the venerable management practices with which they were familiar gave way to the new systems. This management tool was the use of a daily updated balance sheet by which each commander was able to judge his financial status in light of funds obligated and remaining. A detailed description of this managerial practice will be presented subsequently; however, it is mentioned here as it relates to the initial impact of Project PRIME on the middle manager.

Prior to Project PRIME and the Operating Budget concept, Congress appropriated a given amount of money for operation of the Marine Corps. In turn, the Marine Corps would authorize each of its major components to spend a given portion of this money through an allotment.¹ The obligation and expenditure of these funds, by law, may not exceed the amount specified on the allotment, and the purpose for which the authorization is made must be adhered to.²

Allotments are now granted to commanders for operations by means of Operating Budgets. It is noted here again that prior

¹An appropriation refers to an amount of money which is authorized by an act of Congress to be used for purposes designated therein. It is the formal permission from the Federal Government to authorize payments from the Treasury for specified purposes. Middle managers are in no way directly involved in congressional appropriations.

An allotment is a further subdivision of an appropriation, and is extended to organizations below the level of those receiving appropriations.

²U. S., Department of Defense, Instruction 7301.56A, Financial Reporting (Washington: Government Printing Office, 1968), para. 29.

to the installation of Project PRIME, virtually the entire field of accounting for middle managers consisted of insuring that an over expenditure did not occur. Each commander kept a daily running total of the balance of unobligated funds. He was expected to maintain a proportionate amount in light of the time remaining during the period in which the money was to be spent. He was not, for example, to expend 75 per cent of his allotment during the first quarter of the applicable period.

The new concept differs in that specified amounts are still allotted for each of the periods during the fiscal year, but are further subdivided into the amounts to be spent for various sub-categories during the period. In other words, most commanders must now account for more than simple total dollars spent and total dollars remaining, and account by accrued expenditures for each of the specified sub-categories. Appendix B indicates the various sub-categories and periods involved. The problems encountered in insuring the totality and accuracy of this report are considerable.

Problem Areas Apropos of the Middle Manager

A related difficulty which was encountered by middle managers was that which concerned accounting for military personnel and the services which they rendered. Nineteen of the officers interviewed indicated this as the most pressing source of difficulty in their efforts to implement this management system.

Often after diligent planning they progressed along the normal guidelines provided by their Operating Budget. The various expense categories were in accordance with proportion guidelines when the next reporting period began. However, during this period the status of their organization changed drastically by virtue of the number of personnel attached and, therefore, the dollar amount to be charged for their services. The middle manager had no control over the assignment of these individuals yet his budget figures now showed that he would overspend during the following accounting period. The entire budget had to be reworked, and consequently was late in submission.¹

One of the categories required accounting for expenses according to the accrued cost procedure involves costs for services received. Middle managers have found it difficult to complete required paper work in this regard because of the delay in receiving accounting documents from the support organization rendering the service. Conversely, most middle managers interviewed stated that they were unable to render expeditious service in returning the required data because they were short of personnel in the critical fields of accounting and administration. The vast majority of these middle managers indicated that this

¹See Appendix A. Of the 31 middle managers interviewed, 25 indicated that the biggest problem area they encountered was in the field of accounting for military personnel. This particular comment lacks credulity in one regard since provisions are made by higher commands for such overages.

shortage was prompted by the increased administrative workload occasioned by requirements under procedures attendant to Project PRIME.

Because of the vicissitudes resulting from the previous considerations the managerial information available to the middle manager is not as timely as it was under the previous system.

As one former Commander stated,

PRIME has the potential for providing the commander with a wealth of valuable information. However, this information is useless if it is inaccurate or not up to date. Under the previous system I knew on a daily basis how much money I had spent and consequently how much I had remaining to spend. Now I am never quite sure.¹

Even prior to the initial efforts at testing this concept, senior military officers had presented to Dr. Anthony a convincing argument that at least at present it would be virtually impossible to implement the full system of PRIME in combat organizations. Mr. McNamara decided the program would exclude certain of the operating forces of the Fleet Marine Force as total participants in this aspect of Resources Management Systems.²

The validity of this contention and the resultant decision was further substantiated by the results of the test.

¹Personal interview with Lieutenant Colonel W. C. Service, III regarding his experience as a Commander during the initial implementation of Project PRIME in field organizations, November 19, 1968.

²Rear Admiral K. R. Wheeler, S.C., USN, in an address to the students of the Navy Postgraduate Financial Management Class, March 18, 1969.

A significant workload was generated by administrators at lower levels by Project PRIME which required draining manpower from existing areas . . . to meet the new requirements. The movement of these personnel reduced certain functional areas to a status of "just getting by" and limited the tasks that could be performed to minimum essential requirements.¹

The writer located no information indicating that any subsequent attempt was made to implement the full concept in all Fleet Marine Force organization. The task was diminished but was still considerable. "PRIME Revised gave us some relief from the original requirements but it is still a very ambitious and demanding undertaking."²

The exceptions alluded to previously concerning those individuals assigned to combat units is readdressed. For such personnel, each service is required to accumulate totals in accordance with standard rates for the number of individuals on hand in these organizations.³ The commander previously mentioned must now request his increases in the common denominator--dollars. Many of the difficulties attendant to this phase of PRIME have to do with the assignment of personnel over which the responsible manager has no control, as was previously referenced. Preceding

¹Report from the Commanding General, Marine Corps Base, Quantico, Virginia to the Commandant of the Marine Corps; Result of Testing Project Prime, February 27, 1969.

²Brigadier General Edwin H. Simmons, USMC, briefing given to PRIME Evaluation Group, Pentagon, Washington, D. C., October 28, 1968.

³U. S. Department of Defense, Project PRIME Handbook, p. 54.

paragraphs discussed specific difficulties regarding middle managers in this regard, but a far more significant aspect is now addressed. One of the potential values this system offers is that of trade-off, such as using civilian for military personnel and vice versa. No such managerial decision can be made under the constraints imposed by legislative and political restrictions. The diminishing of Civil Service personnel employed by a military installation is not a matter which is regarded lightly by the individuals involved or the Representatives they elected to Congress. In addition, "floors" and "ceilings" on spending in specific regards negate any managerial decisions in these areas, despite the fact that a more efficient utilization of resources might result.

Constraints and limitations continue to restrict the manager in optimizing his resources. The need for restraints is recognized. However, continuing effort should be exerted toward confining them to a minimum. The envisioned goal of flexibility in administering resources remains as yet to be realized.¹

Rear Admiral Wheeler, in the previously referenced address said, ". . . Achieving the full potential of PRIME is predicated upon managers acting outside restraints. . . . These restraints are for the most part still with us."²

¹Commanding General, Marine Corps Educational Command, Quantico, Virginia, Project Prime Test Report, October 8, 1968, p. 5.

²Rear Admiral K. R. Wheeler, S.C., USN, in an address to the students of the Navy Postgraduate Financial Management Class, March 18, 1969.

Additional Expenses Accrue to Project PRIME

Under the dictates of this management system, as proposed by Dr. Anthony, nothing was to be free. Implementing the system brought to light the fact that this included Project PRIME itself. Although the initiating of any new system carries with it expenses which exceed those required to keep it in being as a going concern, managers have found that the system has created serious problems regarding additional personnel required in its execution. Regarding these shortages, Colonel G. K. Sturdevan said during a meeting of the Project PRIME Steering/Evaluation Group, "Most managers are adjudicating a deficit in money and personnel, not managing for the best use of the resources available."¹ These notions are of direct concern to the middle manager since it is he who will cope with these shortages on a daily basis.

. . . [Our] personnel status continues to be the major impediment to a more aggressive implementation of Project PRIME. Relating this to the presentations made by the representatives here our problem seems to be equivalent to that of all the services.²

Those middle managers who fall under the provisions of PRIME Revised have encountered significant problems in the area of knowledgeable subordinates. The areas in which specific difficulties have been encountered include accounting, administration and the increased workload imposed upon the available personnel.³

¹Record of Minutes of Project Prime Steering/Evaluation Group (Washington, D. C., 1969), p. 48. (mimeographed)

²Rear Admiral L. B. McDonald, Commander in Chief, Atlantic Fleet Representative, Record of Minutes of Project Prime Steering/Evaluation Group, p. 47.

³Sturdevan, Record of Minutes of Project Prime Steering/Evaluation Group, p. 49.

The overall personnel situation is bleak . . . and appears to be getting worse rather than better. We have again restated our requirements for the necessary personnel augmentation to properly implement and sustain the desired PRIME accounting, reporting, analyzing and budgeting.¹

Of significance to the intent of this paper is the fact that existing personnel resources must, in accordance with command priority, be diverted to the preparation of reports for higher headquarters. A result of this is that middle managers are primarily concerned with providing timely, accurate information for top management and consequently only secondarily concerned with the use of this information as a management tool for their own use. These comments are made with full knowledge that a lack of personnel has been a perennial complaint of the military. However, relative to the subject at hand, the middle manager in Project PRIME equates it differently--to a serious negation of the second side of the management coin as Dr. Anthony viewed it. Middle managers cannot achieve the full potential of this system so long as they are understaffed. The significance of this fact has not been overlooked by top management, albeit the fact they are primarily concerned with the timely, accurate receipt of management information.

However, equally important to these officers is the welfare of the middle manager under this system. "My chief concern is with the availability of resources money and people to supply and make effective use of the increased detail required by PRIME

McDonald, Record of Minutes of Project Prime Steering/Evaluation Group, p. 49.

systems. . . . There is a shortage of trained personnel and a requirement for additional resources."¹

Improvements Realized Under Project PRIME

The nature of the discussion thus far has been predominantly negative regarding the implementation of Project PRIME. The juxtaposition of the following comments will hopefully insure the objectivity of this treatise. They are not added to balance the presentation, but are equally valid deductions which resulted from the research effort involved.

"Commanders have become more cost conscious since the inauguration of Project PRIME."² An elemental reason for this is the required costing of military personnel. Prior to the installation of this management system commanders dealt in two different realms regarding costs. Were a commander to desire additional resources he might, for example, state his requirements as "400 more personnel and \$200,000." Distinction existed in his mind between two different considerations--personnel and money. This is no longer true, and the importance of this attribute was recognized in the early stages of its development.

The most important single element of controllable costs not now budgeted or accounted for by user units is military personnel. In order to measure and make known the entire operating costs of a unit, procedures are being devised which require user units³ to budget and account for these important resources.

¹Commandant of the Marine Corps, briefing to the Evaluation Group of the Navy Department, Pentagon, October 27, 1968.

²Letter to the Commandant of the Marine Corps from the Commanding General, Marine Corps Educational Center, February 27, 1969.

³U. S., Department of Defense, A Primer on Project PRIME (Washington: Government Printing Office, 1967), p. 51.

All versions of Project PRIME require that all personnel providing services to a mission/organization will be charged thereto. One of the more progressive aspects of PRIME has been the development of a system whereunder these costs have been simplified by virtue of the standardization of rates and the purification of the elements to which they are charged. The ultimate result is that military personnel are no longer "free" to users and that every attached individual will be used by (or at least charged to) an organization, and commanders are consequently being more efficient in their use.

In addition, middle managers have increased their efficiency concerning budget preparation and submission. Question seven of Appendix A indicates that the preponderance of managers interviewed cited this aspect of Project PRIME as one by which they were aided and the one which they best understood.

As previously discussed, the monthly Operating Budget and Expense Report is a management tool with which the middle manager was indirectly associated in times past. It relates to the allotment balance sheet historically used by managers as long as money has been sub-allotted to them. The basic function of this form remains the same--an up-to-date appraisal of money which is to be spent during specific periods during the accounting cycle. The difficulty associated with this form is that it is not the sole manuscript which must be kept in this regard.

Obviating this concern is the fact that Congress did not approve the merging of the Operations and Maintenance and the Military Personnel Appropriations. As a result, some middle managers must account dually so as to provide the information top management must use during congressional hearings. The workload involved was listed on a report to the Commandant, U. S. Marine Corps made during the initial period of Project PRIME:

As a result of the collection of military personnel cost to the cost account level in dual format, 128 personnel of varying ranks expend nearly 600 hours per month in the performance of this function in addition to their regularly assigned duties.¹

This report further states that there was a qualitative aspect to personnel problems as well.

In an effort to eliminate this deficiency the Marine Corps is exerting a substantial effort to educate its managers on every level. One attempt to resolve shortages of trained military and civilian personnel is the distribution of The Essentials of Accounting text to all general officers and a further admonition that senior civilian staff members complete required courses of self instruction.² Relative to middle

¹Report from the Commanding General, Marine Corps Base, Quantico, Virginia to the Commandant of the U. S. Marine Corps, Result of Testing Project PRIME, p. 4.

²Sturdevan, Record of Minutes of Project Prime Steering/Evaluation Group, p. 45. The writer brings the attention of the reader to the fact that this reference relates to the previously cited discrepancy concerning the syllabus and reference book mentioned in the footnote. Further mention of this fact will be made in the chapter entitled "Conclusions and Recommendations."

management, the same source stated,

. . . The Marine Corps Commanders' Financial Management manual has been updated to include current concepts and procedures of Project PRIME. A review of the Command and Staff College and the Amphibious Warfare School curriculums is being made to update the instructions on the concepts of PRIME for the academic year beginning in August, 1969.¹

The preceding paragraphs were intended to bring to light some of the considerations which the writer believes are essential in a valid appraisal of the efforts of middle managers in the Marine Corps relative to Project PRIME. They are not exhaustive, nor are they intended to be. Rather, they were presented as the major results of research in an area which did not lend itself easily to such an endeavor. These discussions, hopefully, have shed some light on the area of middle management in the Marine Corps and consequently give the reader some indication of the reasoning on which the conclusions and recommendations listed in the next chapter are based.

¹Ibid., p. 47.

CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

It is misleading to forward opinions under the title of this chapter without listing certain qualifications concerning their history and validity.

It must be pointed out that the most talented personnel available in the Department of Defense have labored unceasingly since the inauguration of Project PRIME to improve and make of it a viable management system. The changes which they have supervised have made lengthy strides toward that goal. The validity of comments made in a paper of this nature pale in light of the years of endeavor afforded by these obviously competent individuals. There exist, however, certain qualities inherent in a work of this nature which lend it a quality not always found in similar efforts, since it was written without policy guidance.

Secondly, the perspective with which the writer views the subject matter is vastly different from that of the ultimate decision maker. The writer stipulates that the "big picture" is the sole perspective on which ultimate decisions must be based. This does not totally negate these observations made from a far less lofty perch. As has been pointed out herein, the day to day

practicality of an academically perfect theory often invalidates the best intentions of its author. There is little authoritative evidence which challenges the accuracy or theoretical applicability of Project PRIME as a management system. However, the input of those concerned with its implementation in matters of facts and figures has resulted in a vastly changed version of this patently valid theory. Finally, the writer was able to approach the subject matter without extensive prior knowledge or experience, which might have slanted the conclusions reached in this research effort. It is with an accented appreciation of the initial observation made above that the writer lists below certain of the conclusions he has drawn and recommendations related thereto.

The attitudes and consequently the performance of middle managers in the Marine Corps are adversely affected by conclusions which they have drawn as a result of misleading information regarding Project PRIME. The opinions expressed in Appendix A indicate that the managers interviewed were of the opinion that the system would interfere with their efforts to create a command which was as combat ready as they could possibly make it. Most considered the managerial tool of Project PRIME an imposition that was neither needed nor desired. These managers should have concluded that as commanders of such units, Project PRIME is actually of little significance to them. Their managerial efforts are virtually the same as those which were required under the

previous system whereunder they controlled expenditures as dictated by an operating target of a specified amount of dollars. The changes affecting them are primarily those of format since Project PRIME has generated different report forms via which these managers relay the management information they must submit to higher headquarters.

The writer is unable to accurately identify the reasons for this misinterpretation on the part of middle management. The Marine Corps Schools syllabus which will be taught to students of middle managerial potential during the academic year 1969 is not at this time available but, as mentioned earlier, it is being revised.

The original mandate that every organizational unit should be charged 100 per cent of its measurable expenses appears to be too lofty a goal in light of the intangible nature of the missions assigned military organizations. The reality of this premise is acknowledged in the revisions thus far made to the original concept of Project PRIME. It is impossible to quantify such abstracts as "combat readiness," "retaliatory power," and "esprit de corps," in such a manner that they might be related in a decision making process which purports to compare alternative choices by weighing quantified versions of the several paths which might be followed.

Supporting the judgment that one of the major pre-requisites involved in Project PRIME is unattainable is the fact

that at the other end of the management spectrum there is indication of a closely related problem. This consideration does not present a problem which, as in the first case, is virtually unsolvable, but is indicative of a goal easily attainable but of questionable value. The area of accounting under Project PRIME is now addressed.

It is possible to account for the expenses of military units down to the lowest level. It is the "accrual basis" of this accounting which makes its value questionable. "What we actually have is a reverse accrual accounting system . . . just the opposite of what we want to achieve in Project PRIME. It is an area of great seriousness. It develops data too late to be useful now, and does not associate expenses to period."¹ The question is raised as to what must be done to make accrued expenses a factual, reliable tool for management? The problems mentioned previously make it untenable to have a performance measured under a program (for middle managers this might be flying hours) which ends on December 31 but having the accrued expenses associated therewith only through November 30 due to accounting problems. Procedures under Project PRIME must be amended so that either the reporting procedures for accrued

¹Captain R. H. Conn, from remarks made to Assistant Secretary of Defense (Comptroller) during a presentation of the Department of the Navy Evaluation Group on Project PRIME. Transcript p. 36.

expenses are changed or the values expressed be discounted.

"The present system is complex and costly. . . . It is not good management to report misleading or unusable data."¹

The recommendations of the writer regarding this enigma are essentially akin to those made by the group referenced in the last footnote. This representation of knowledgeable supervisors concluded relative to the talent required that,

. . . We must correct our accounting and reporting procedures regarding "accrued expenses." The importance of accrual accounting is not diminished, but it must be made to work for the manager. Its importance is made clear when we consider that it directly affects the main aspects of [this] system, namely a basis for costing programs . . . providing management information for higher headquarters . . . and as a basis for comparison of cost variances.²

The significance of accrual accounting dictates that it be made a viable portion of this management system. The changes which can be made relative to this end go hand in hand with those to be recommended in the following paragraphs. The system must be revised so as to reflect changes made in accordance with both their importance for top management and those managers on lower levels. Situations repeated appear in the field whereunder strict accounting on an accrual basis is both impractical and too costly when viewed as a part of the total system.³ The value

¹Captain P. D. Johnson, Record of Minutes of Project Prime Steering/Evaluation Group, p. 38.

²Ibid., p. 39.

³Ibid., p. 41.

of the information is questionable based both on its accuracy and its timeliness.¹ Dr. Anthony pointed out in his early writings concerning Project PRIME that the expenses charged had to be "reasonably measurable."² This mandate afforded the system with some measure of flexibility, but the areas to which this flexibility is extended must be enlarged to achieve the full potential of Project PRIME.

Another of the considerations brought to light was a lack of trained personnel. The critical shortage of personnel trained in the field of administering this system has been the subject of lengthy discussion on all levels of management. The Assistant Secretary of Defense (Comptroller) said in this regard,

We are reducing the gap created when Project PRIME was initiated without having previously trained people to fill the new assignments in the field of accounting. However, it will continue to be a problem area in the foreseeable future.³

One of the efforts to close this gap has been given unanimous approval by middle managers interviewed. This program is called the "College Graduate Training Program" under which college graduates who are inducted into the Marine Corps are assigned to a school in San Diego wherein they receive instruction in

¹Commanding General, Marine Corps Schools, Quantico, Virginia to Commandant of the Marine Corps, February, 1969.

²Robert N. Anthony, "Closing the Loop," address made to Financial Management Roundtable, Washington, D. C., October, 1966.

³Mr. William Boucher, Address to Students of Navy Post-graduate Financial Management Program, The George Washington University, Washington, D. C., March 4, 1969.

accounting and other related aspects of Project PRIME. Upon completion of this school they are assigned to various billets in both top and middle management areas. The basic deficiency in this program is that there are not enough qualified individuals to fill the requirements created by Project PRIME.¹ Middle managers interviewed were nearly unanimous in their opinion that the caliber of individual required to fill the position of "accountsman" is considerably above that which is ordinarily available through normal channels of recruiting, and that the problem of providing qualified personnel for billets requiring selected talents will remain with the system.

The writer has alluded to motivation as being an important consideration in implementing Project PRIME. Since this is a general, overall matter it will be treated prior to succeeding specifics regarding remedial measures which can be taken in an effort to make this system more effective. However, the matter of motivation crosses the entire gamut of these considerations. The writer indicated he felt that the vast majority of middle managers in the Marine Corps lack proper motivation and that it was in large measure due to a lack of understanding on their part. Mr. George W. Berquist, in a speech made at the Pentagon, expressed it this way,

¹Commanding General, Marine Corps Schools, Quantico, Virginia to Commandant of the Marine Corps, February, 1969.

The underlying problem [regarding Project PRIME] that remains is beyond all ingenuity and technical skills, and imagination and consultant assistance and field tests and all the rest; it is the perpetual problem of motivation and resistance to change. The sheer size of the Department is part of the problem. The four color uniforms are another. . . . Everyone is for change, but for the other fellow. "I don't understand. We've always done it another way." These are the questions and remarks that constitute our main challenge and our continuing problem.

The writer agrees. An undertaking calling for such enormous change in such a short time is a challenge which cannot possibly reach full potential without the cooperation of all those involved. The examples cited in previous chapters indicated that many in the area of middle management erroneously judged the degree to which they would be participating, and as a result developed a negative attitude regarding Project PRIME. One major cause of this attitude must be attributed to the formal and informal education efforts made in the Marine Corps. Referring once again to the lesson plans and publications relative to Resources Management--they are excellent in their presentation of the conceptual and major issues involved. However, the relationship of Budgeting, Programming and Planning is of relatively little use to a middle manager unless he is

¹George W. Berquist, "Better Ways of Doing Business in the Department of Defense," an address delivered at the Pentagon, Washington, D. C., July 28, 1967.

appraised of how it will affect him. In the matter of motivation, it is as important to state how it will not relate to him as a commander. Attempts to educate managers must distinguish between those managers dealing with programs and those in the middle scale who will be dealing with a system very similar to that previously in use.

Related to matter of motivation and education is the consideration of continued participation by managers who are knowledgeable and actually operating under this system. When a commander is urged to be efficient as well as effective, the system itself does not provide a stimulus for continued improvement. For example, if a commander is able to reduce his operating expenses by 10 per cent and the only tangible result for him is that his next year's budget is reduced by that amount, it might be easily deduced that his motivation would wane. Even under optimal operation of this system it is still people and not the system who are doing the managing. The relationship of commander and subordinate has not been altered. Morale is still his responsibility.

The reader is referred to the initial paragraphs wherein the writer attempted to create an appropriate relationship between the opinions forwarded herein and the unselfish efforts made by senior officials who are supervising the installation of this management in the Department of Defense. The following comments are made in full appreciation of their competence and

are not intended as a reflection on their efforts.

The costs of implementing Project PRIME have far exceeded the original estimates. Since the Congress has not approved additional funds as requested the costs must be borne by the operating forces. In an era of distrust concerning military appropriations this can result in a decrease of resources actually applied to missions directly involving the defense effort. The congressional attitude toward the unilateral implementation of PRIME as originally proposed has mellowed to a great degree. However, it remains a precarious undertaking to present the actual costs of the system to date in comparison to the savings realized as a result of its operation. This unenviable task must be performed. There is indication that proponents fail to state that optimum application of this management system achieves economy of force, and not necessarily of the dollar. PRIME has enabled us to bring order to a disjointed process in which millions of dollars were spent in such a way that it could not accurately be determined what was purchased.

The middle manager will bear the brunt of continued implementation of PRIME without adequate funds. In his interest and that of integrity in the entire matter, Congress must be appraised and asked for the additional resources required for the full Resources Management Systems in the Department of Defense.

In this regard and relative to the aforementioned problems of motivation among middle managers, top management must appraise middle managers of the progress made in this regard and all others related to them as middle managers under Project PRIME. The terms "making suitable progress," and "encountering the expected difficulties" must be diminished in favor of more specific addressals of the problems of middle managers by top management. The PRIME survey teams and the field visits they make can be the implements by which these goals are achieved. However, the use of briefings by the highest headquarters involved is not fully satisfactory. These presentations are necessary, but only equally so when compared to visits to the offices of the middle managers under that command. The necessity of privileged comments is obvious. The writer has concluded as a result of associated research that middle managers feel divorced from the system as a whole. A personal interest, expressed in writing or in personal contact, is the most effective weapon for eliminating this deficiency.

Project PRIME has provided a tool to middle management which managers are not effectively utilizing. Most do not understand it in its fullest implications and are more conversant with the general concepts involved than with the effects they have on day-to-day operations at their level of management. Much can be gained in this regard by assiduously pursuing the education of middle managers.

The future of the military relative to Project PRIME is not hazy or ill defined. The dollars and cents of national security will be a concern of all managers during the foreseeable future. How effectively the Resources Management Systems of the Department of Defense operate are in great measure dependent upon the efforts of the middle manager. The system is so huge it approaches incredulity. The money involved is a significant portion of our nation's Gross National Product. The writer has attempted via this paper to investigate this system as it relates to middle managers in the Marine Corps. It is hoped that this effort has created for them a better perspective from which they can view their efforts as they relate to this significant venture toward more effective management in the Department of Defense.

APPENDIX A

Questionnaire

Answers to the following questions are solicited as a part of the research for a thesis I am required to submit in connection with the Navy Postgraduate Financial Management Course at The George Washington University, Washington, D. C.

The information sought is in connection with the performance of Middle Managers in the Marine Corps relative to Project PRIME management systems. The answers provided on the questionnaire are to expedite completion of the form, but I earnestly solicit any comment from you which clarifies your position on the questions asked. No direct quotations will be made of these comments without your permission.

Thank you for your assistance.

Very respectfully,

D. J. McCarthy
Major USMC

1. My rank is:

6 Captain
5 Major
11 Lieutenant Colonel
9 Colonel

2. My assignment(s) as a manager under Project PRIME are (were) (or aviation equivalent, e.g., wing, group).

Regiment	Staff 11	Command 3
Battalion	Staff 4	Command 2
Service	Staff 4	Command 4
Other 3		

3. Do you feel you have adequate knowledge concerning Project PRIME to perform duties as a manager thereunder:

Yes, I am entirely confident of my grasp of the concepts and practical application of the system. 3

Yes, but I feel that there are specific areas in which I am not certain as to their application to the Commander. (Please mention these areas--e.g., accounting) 26

Unanswered 3

4. One of the areas in which appraisals of Project PRIME have been most favorable is that which concerns making the commander more cost conscious?

Has this been your experience? 24

If so, in what area have you been more conscious of costs under your command--e.g., services, personnel, etc. 21
Personnel

5. Project PRIME is theoretically a two-sided system. One aspect concerns itself with providing top management with information relative to decisions made at that level; the other is to provide you, the middle manager, with management information by which you can better manage your command.

Has this second aspect of the system been valuable to you?

- a. Not in my experience. 21
b. Sometimes, but not to any appreciable extent. 6
c. Never. 3
d. Other (please comment)

6. Relative to the above question, has your primary concern been more:

- | | |
|--|-----------|
| a. Providing management information for higher headquarters. | <u>26</u> |
| b. Both providing and using management information. | <u>5</u> |
| c. Other (please comment) | |

7. Middle managers have given general support to another aspect of Project PRIME--that of its providing a more efficient managerial tool in budget preparation and submission. Do you agree with this generalization?

- | | |
|---|-----------|
| a. Yes. It is a definite aid on budget submission and control. | <u>26</u> |
| b. No. The budget proposals of middle managers are not significant and for the most part are dictated by higher headquarters. | <u>4</u> |
| c. Other (please comment) | <u>1</u> |

8. A previous question referred to the aspect of Project PRIME with which you felt most at ease. Please comment on that portion concerning which you feel the least secure or misinformed about:

- | | |
|------------------------------|-----------|
| Accounting | <u>19</u> |
| Reports (Military Personnel) | <u>6</u> |
| Other | <u>6</u> |

9. My research thus far regarding Project PRIME and middle managers indicates that there is a vast difference of opinion regarding the use of the system by those in the middle management ranks who are assigned to units preparing for direct combat, e.g., infantry battalion, squadron, etc. What is your opinion?

- a. It is of limited value to such a unit.
- b. These units are no different from any other and can be managed more efficiently under Project PRIME
- c. Other (please comment)

 22

 8

10. The writer has found that performance by middle managers has been criticized by top management. The previous questions have alluded to "middle manager." Do you have a clear and distinct judgment regarding middle management in the Marine Corps? Are, for example, you a middle manager?

- a. It depends upon the individual assignment.
- b. The term refers to those officers below the rank of Lieutenant Colonel.
- c. The term refers to those officers below the rank of Major.
- d. The term has no meaning in the Marine Corps relative to Project PRIME.
- e. The performance of a Marine officer is not categorized in terms of the management ladder.

 8

 19

 4

OPERATING BUDGET / EXPENSE REPORT

FROM		TO		BUDGET			REPORT			FOR PERIOD ENDING		
Fiscal Officer		Commandant of the Marine Corps Code 4S-2 Washington D. C. 20380		BUDGET GRANTOR			COST CENTER			REPORTING FISCAL OFFICER (Signature, rank and date of submission)		
Marine Barracks FPO San Francisco 96610		Commandant of the Marine Corps		1791106.2721						30 September 1968		
BUDGET FOR		Commanding Officer Marine Barracks FPO San Francisco 96610		APPROPRIATION DATA			COST CENTER			A. G. NADEAU 1st. Lt., USMC 16 Oct 1968		
SUB- FUNG. CAT.		DESCRIPTION		WORK UNITS		MAN-HOURS		C U M U L A T I V E		T O T A L		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
NI	8110	Steam & Hot Water 750,000 to 3.5 Million BTU/HR								262.83	262.83	
NI	8210	Steam & Hot Water over 3.5 Million BTU/HR								(367.95)	(367.95)	
NI	8350	Purchased Electricity								3,862.22	3,862.22	
NI	8450	Purchased Potable Water								1,465.54	1,465.54	
NI	8510	Sewage Treatment, P & P								601.44	601.44	
NI	8710	Fuels Issue to Heating Plants under 750,000 BTU/HR								1,120.50	1,120.50	
NZ		Reimbursements								(87.50)	(87.50)	
PI	9210	Custodial Service						88.02		13.34	101.36	
PI	9220	Insect & Rodent Control								892.00	892.00	
PI	9230	Refuse & Garbage Collection & Disposal								2,634.32	2,634.32	
PI	9250	Emergency Service Work other than Real Property								1,156.54	1,620.50	
PI	9290	Other Mts. & Service		21	102	46.00	366.18	51.78		3.00	590.96	
PI	929A	Fabrication & Repair of Signs			145		520.55	67.41			14.36	
PI	9240	General Service Shop Overhead			4		14.36				21.54	
PI		TOTAL "PI"		21	257	46.00	922.63	207.21		4,699.20	5,875.04	
RI	7010	Minor Construction								99.36	99.36	
SI	9911	Messhalls & Galleys						394.56		99.36	3,131.56	
SI	9936	Enlisted Men Club		580		2,737.00		1.96			3,507.96	
SI	9937	Special Services		840		3,506.00		490.77			3,917.77	
SI	9938	Band (Including Instruments & etc)		1,326		3,427.00		36.86			12,007.58	
SI	9943	Retail Clothing Sales		7,335	8	11,942.00	28.72	131.39			131.39	
SI	9951	General Admin. Laundry			(539)	1,386.00	(466.45)	258.61		13,206.72	14,384.88	
SI	9952	Marking & Distributing		520	861		1,645.82				1,645.82	
SI	9953	Washing & Extracting & Tumbling			554		1,154.18				1,154.18	
SI	9954	Pressing			1,322		2,457.33				2,457.33	
SI	9955	Flatwork			2,392		4,204.27				4,204.27	

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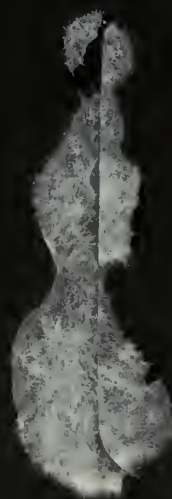
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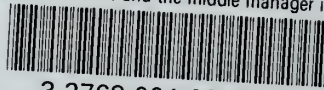
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